2022 General Rate Application

Closing Remarks

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Delivered: October 27, 2021

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Agenda

1. Rate & Rebate Request
2. Information Technology (IT) and Project NOVA
3. Capital Management Plan (CMP)/DVA Transfer
4. Claims Incurred Forecasting
5. Expenses
6. Vehicle for Hire (VFH)
7. Driver Safety Rating (DSR)
8. Risk Management Strategies
9. Benchmarking
10. Conclusion

Introduction

Context is Important

The 2022 GRA is about

3rd consecutive negative overall AAP rate indication

3rd rebate that would increase total amount returned in Pandemic to $514 M

Manitobans enjoying among the lowest rates in Canada for services they value

1. Rate and Rebate Request

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Rate and Rebate Request (1/2)

1
Rate Request

- **-1.2%** decrease in overall rate indication
- Not a 3.8% increase (per AAP)

2
Rebate Request

- **$335m** rebate
- Comprised of:
  - $155 from 2020/21 rates
  - $180 from 2021/22 rates

3
Capital Management Plan

- 1-year extension of the CMP
- Suspension of the Capital Release Provision
- Removal of the 5.0% capital release

Rate and Rebate Request (2/2)

1
Per AAP Ratemaking

- **-1.2%** overall rate decrease
- This is the break-even rate indication

2
Rate with No Capital Release Rebate

- Removal of 5.0% capital release
- Results in 3.8% increase to customers
- Not the entire picture

3
Rate with No Capital Release but Rebate

- +3.8% removing capital release
- -29% including $335m rebate
- **-26% total rate impact**

2. Information Technology and Project NOVA

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Information Technology and Project NOVA (1/5)

Information Technology (IT)

MPI adds Fresh Perspective, Maintains Transparent Reporting

- New Chief Information and Technology Officer – Siddhartha Parti
- Preparing 5-year roadmap for IT initiatives and operations, budgets remain
- PUB can expect a new iteration of IT Strategy in 2023 GRA
- External Labour Strategy
    - MPI converts 9 more consultants in phase 2
    - Contingent Workforce Strategy savings in line with expectations
- MPI is monitoring IT investments, Value Management ensures results align with business cases
- MPI is not looking for the latest and greatest IT gadgets and apps

Information Technology and Project NOVA (2/5)

Information Technology (IT)

Not Leading Edge, Helping to Deliver and Execute NOVA Technologies

- Testimony of Mr. Herbelin about what it means to be a "fast follower" of industry best practice and trends:

"And I want to highlight here that that does not -- you know, we -- it doesn't mean that we want to be at the leading edge of technology and trends. We don't need to do that. But it's important that we need to keep pace with the changing world." (Oct 12, p. 208)

- And Mr. Parti confirmed there will be interplay between IT and NOVA:

"…The – the collaboration with Program Nova with Mr. Mitra is going to be ongoing. The technology's piece of Program Nova is, obviously, extremely important for the organization and for the success of the program. The intention there is to collaborate with Mr. Mitra as much as I can." (Oct 14, p. 682)

Information Technology and Project NOVA (3/5)

Project NOVA

Robust Oversight Identifies Risks, MPI Developing Solutions

- Strong governance structure that includes
  - Frequent meetings of Technology Committee of MPI Board of Directors
  - Direct involvement by CEO
  - External review and recommendations by PricewaterhouseCoopers
  - Collaboration between teams, committees and program sponsors
  - Use of Agile methodology, RAID and iterative delivery approach
- MPI Appreciates NOVA is High Risk, But Oversight is working
  - Risks identified early, internal/external party program review underway to validate mitigation strategy
  - Target to complete review is early 2022, results filed in 2023 GRA

Information Technology and Project NOVA (4/5)

Project NOVA

MPI Working to Keep NOVA On-Time and On-Budget

- NOVA Re-baseline
  - Budget (with contingency) – $106.8m (2019), $128.5m (March 2021)
  - 15-year NPV with 14-year payback period = $18.4m
  - 7.5% discount rate appropriate based on mitigation strategies
  - Though it has reservations, MPI still confident in current budget
  - Further re-baselines possible, but purpose is not to return positive NPV

Information Technology and Project NOVA (5/5)

Project NOVA

MPI Working to Keep NOVA On-Time and On-Budget

- NOVA Timelines
  - Delivery Roadmap slightly adjusted in re-baseline exercise
  - MPI expects some slippage but magnitude currently unknown
  - Program review will determine if NOVA still on track to deliver online services for customers in April 2023
  - MPI will continue to update PUB with 2023 GRA filing

3. Capital Management Plan/DVA Transfer

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Capital Management Plan (1/14)

History

- First presented for approval in the 2020 GRA
- First used, year 1 of 2-year trial, in the 2021 GRA
- 2022 GRA was to be year 2 of 2-year trial
    - requesting removal of 5% discount approved in 2021 GRA
    - requesting release provision be replaced by the applied for rebate
    - requesting one-year extension
- Amended version of CMP to be filed with 2023 GRA
    - to include a provision to allow for rebates

Capital Management Plan (2/14)

CMP as First Presented in 2020 GRA

Rate Stabilization Chapter

Capital Transfers

After applying the Basic rate indication to the forecast, MPI will then determine whether there is excess capital in MPI's Extension line of business that it can transfer to Basic. If, ***at each fiscal year end****, the Extension MCT ratio is:*

> *greater than 200% - MPI will transfer capital from Extension to Basic until the ratio is 200%.*
>
> *less than 200% - MPI will not make any capital transfers from Extension.*

Capital Management Plan (3/14)

CMP as First Presented in 2020 GRA

October 11, 2019 presentation titled “Claims, Ratemaking, Capital Management Plan” -- the first bullet at slide 33 reads as follows:

Capital Transfers

Transfers are now assumed to occur automatically when Extension [sic] the actual Extension Minimum Capital Test ratio > 200% at fiscal year end

Supporting testimony of Chief Actuary:

“Okay. Moving on to capital transfers. So, this is another -- again, another form of essentially a capital adjustment. This is -- capital transfers from Extension was never part of the -- the basic rate. It's coming in at year-end and adjusting MPI's capital position in the form of the MCT ratio.”

Capital Management Plan (4/14)

CMP as First Presented in 2020 GRA

- Section 6.3 of *The Manitoba Public Insurance Corporation Act*

  The corporation must ensure that the revenue from its plans of universal compulsory automobile insurance and its other revenues are not used to subsidize the corporation's plans of extension insurance.

- Independent expert John Todd, retained by the Consumers' Association of Canada (Manitoba), confirmed that MPI's Capital Management complied
- Nothing in the MPIC Act that prohibits MPI from using Extension monies to subsidize other lines of business, i.e. Basic or DVA

CMP as first presented (2020 GRA) (5/14)

- Nothing in the CMP that prohibits MPI from using excess Extension monies to subsidize lines of business other than Basic… provided that money is used before the end of the fiscal year

- CMP approved for use on December 3, 2019 (Order 176/19)
- COVID–19 arrived in March 2020
  - Capital accumulated quickly, in unprecedented fashion
- Pandemic exposed the CMP's inability to release more than $50M
  - Rebated $110 million in April 2020 (SRA I)
  - Rebated $69 million in November 2020 (SRA II)

SRA I (April 2020) – $110M (6/14)

- CMP under scrutiny before it was first used in the 2021 GRA
- $52M not transferred at fiscal year end, instead transferred directly to Basic customers as part of a $110 million rebate (tantamount to a release from Basic)
- no rebate provision in the CMP (retrospective Order required to return unused premiums)

DR. BYRON WILLIAMS: Mr. Giesbrecht, going back to the concept of the capital management plan, a central element of that plan was a transfer of capital from Extension to Basic should the Extension MCT ratio of the Extension reserve exceed 200 percent at fiscal year end, correct?

MR. MARK GIESBRECHT: Yes. The plan entails a transfer of any excess capital for Extension that we -- will be moved to Basic, yes.

DR. BYRON WILLIAMS: And excess is in excess of 200 percent, sir?

MR. MARK GIESBRECHT: Correct.

2021 General Rate Application (7/14)

- Fiscal year end condition under the CMP again stated:

- *"THE CHAIRPERSON: …. So, he's [former MPI President Ben Graham] talking about a compulsory transfer. I don't see any qualifications for any business decisions or anything like that, do you, in this statement?*
- *MR. MARK GIESBRECHT: No. I mean, I think that refers to a compulsory transfer when the year-end calculations are completed on the – the capital positions, on the various lines of business. And -- and, at that point in time, all excess capital will be transferred."*

October 21, 2020, pages 692 and 693;

2021 General Rate Application (8/14)

- So long as any monies transferred from the Extension reserve occur before fiscal year end, the monies can be used at the discretion of MPI

- *"there could conceivably arise a situation where funds may be needed for some reason; however, it would be similar to the -- the pandemic that we're currently in, where it would be an extreme circumstance or some, you know, great need where it would make sense to do so."*

  - Mark Giesbrecht, CFO

  (Transcript dated October 21, 2020, page 693)

SRA II (November 2020) – $69M (9/14)

From MPI's 2021 Special Rebate Application II, page 21:

"At the end of 2020/21, Extension is forecasted to have $59.4 million in capital above the 200% MCT target, which MPI will transfer to Basic – exactly as it sought to do in the 2021 GRA."

As at November 30, 2020, MPI was still forecasting to transferring $60 million to Basic at fiscal year end

And one month earlier, Mr. Giesbrecht had this to say (October 21, 2020, page 690):

"The -- the question posed in that IR is, prior to any transfer taking place, can the Corporation utilize the funds for any other purpose. And so, that is a possibility. However, any remaining funds will be always be transferred as per the Capital Management Plan. And, also, then to reiterate a discussion that we had, there are no plans for other purposes of the -- the profits generated within Extension. But to answer that question that is there a possibility that that could take place? It is possible, but -- but, again –"

Transfer to DVA (March 2021) What Changed? (10/14)

- Failure to secure DVA funding from the Government of Manitoba concerning the existing administration shortfall and imminent costs related to Project Nova
- MPI President & CEO Eric Herbelin (October 12, 2021 – pages 210 and 212):

"While our executive was aware of the anticipated operational deficits in the DVA line of business, the solution to cover that deficit by transferring excess funds from Extension was not considered until after I joined MPI in January."

"Though I lament the fact that we were unable to forecast the first transfer to DVA, I want to assure you that these transfers are the most prudent option available and this decision was made in the best interests of the Corporation."

Basic and DVA– A History of Subsidization (11/14)

Undertaking #34 - Figure 1 Transfers between Extension & DVA

Line No.	($000s)	Retained Earnings Transferred from Extension to DVA	Retained Earnings Transferred from Extension to Basic
1	**2004/05**	-	4,287
2	**2005/06**	125	11,031
3	**2006/07**	6,090	-
4	**2007/08**	10,856	-
5	**2008/09**	17,998	-
6	**2009/10**	27,552	-
7	**2010/11**	27,678	-
8	**2011/12**	27,781	-
9	**2012/13**	4,500	-
10	**2013/14**	12,087	-
11	**2014/15**	-	75,500
12	**2015/16**	(577)	72,729
13	**2016/17**	-	27,825
14	**2017/18**	-	37,300
15	**2018/19**	-	60,000
16	**2019/20**	-	-
17	**2020/21**	60,000	-
18	**Total**	**194,090**	**288,672**

Transfer to DVA – The Facts (12/14)

- There was an existing funding shortfall for the administration of The Drivers and Vehicles Act
- Half of the costs of Project Nova ($54 million of $111.7 million) will be allocated to DVA – transcript of October 14, 2021, page 772
- Funding options explored but not accepted:
  - Foregoing revenue collected on behalf of the government
  - Increasing fees to align with other jurisdictions
  - Indexing fees to 2021 prices
  - Indexing fees to cover shortfall and Project Nova costs
- DVA line of business was in financial need, no longer self-sustaining
- Board of Directors approved $60 million transfer on March 25, 2021

Transfer to DVA – The Law (13/14)

- Section 16 of the MPIC Act

Moneys of the corporation

All moneys required by this Act and the regulations, or any other Act or regulations, to be paid to the corporation and all premiums and other consideration payable for insurance provided by the corporation, and any other moneys that may become due and payable to the corporation by the regulations or otherwise shall be paid to the corporation, and may be retained by the corporation and shall be used and dealt with for no other purpose than to carry out the powers of the corporation in accordance with this Act and the regulations.

- Section 3 of the Reserves Regulation

Use of surplus moneys in rate stabilization reserve

The corporation may use amounts in the rate stabilization reserve that are in excess of the amount required under clause 2(a) only for the purpose of reducing the rate indication required for the plan of universal compulsory automobile insurance in a subsequent year.

Transfer to DVA – The Analysis (14/14)

- MPI has four lines of business to operate with two distinct mandates
- MPI does not prefer one line of business over another
- Two years ago, $60 million transferred to Basic to increase RSR MCT ratio
- $179 million transferred to Basic customers since March 2020
- MPI has statutory authority over the use of the money it collects
- The Extension money transferred was never in the RSR
- MPI has discretion under the CMP before fiscal year end
- Basic RSR was fully capitalized when the transfer was made
- All Basic customers are DVA customers
- Basic customers derived a benefit from the transfer
- Discussions with government concerning DVA funding continues

4. Claims Incurred Forecasting

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Claims Incurred Forecasting (1/3)

Variation from Original Forecast

MPI Updates Forecast with new Assumptions, Knowns

- MPI now expects basic claims costs to be $6.2m higher in 2022/23 than it did at time of 2022 GRA filing
  - Negotiated LVAA agreement more costly than anticipated
  - Small decrease (11 bps) in interest rates from 2022 GRA
  - But cost is somewhat offset by favourable results from:
    - Salvage Management System (reducing Total Loss Severity) and
    - Updated hail forecast (to reflect positive experience)

Claims Incurred Forecasting (2/3)

Pandemic Forecasting

MPI Addresses Accuracy Concerns with Rebate Request

- MPI adjusted its COVID-19 assumptions based on experience
  - October 1, 2021 return to normal date pushed back
- Return to normal April 1, 2022?
  - MPI not only insurer to assume this based of lack of clear data (SGI, ICBC and many others taking a naïve approach)
    - MPI considered expected Government return to work plans, 4^{th}-wave data, traffic/mobility reports and its year to date experience
- Will there be a new normal?
  - MPI does not know what new normal will be (nor does anyone else)
  - Under-collection and future rate increases worse scenario than rebates

Claims Incurred Forecasting (3/3)

Future Pure Premium Trends

MPI Section Reasonable

- MPI selected pure premium trend rate (3.75%) for Collision used data from 2011-2019 versus Oliver Wyman pure premium trend rate (0.62%) which used only 2016-2019 data
- Oliver Wyman Pure Premium Trends do not fully consider underlying trends for each respective coverage
  - Collision does not fully consider underlying repair vs. replace trends
  - Comprehensive does not fully consider the underlying trends of each respective peril (hail, theft, vandalism, glass)
- In addition, any changes in underlying data are not captured by making use of only one trend (Oliver Wyman's future pure premium trend)
- Reliance on these trends carries the risk of under collection

5. Expenses

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Expenses (1/2)

Expenses

MPI Continues to Manage Expenses, Costs will Increase During NOVA

- Compounded growth rate for expenses for 2017/18-2020/21 is -0.3%
  - Consumer Price Index (CPI) suggested 6.1% during same period
- Salaries for Basic – Normal Operations trending below inflation (-1.2%)

- FTE Numbers
  - Projected increase by 216 to 1,949 largely term positions related to NOVA or required to support growing SRE business
  - Vacancies – 159 vacancies as at September 30th, 100 in recruitment
    - Not overstated, vacancy allowance is properly captured in forecasts

Expenses (2/2)

Expenses

MPI Continues to Manage Expenses, Costs will Increase During NOVA

- *Data Processing* costs have increased
  - IAS 38 does not allow for deferral of cloud-based costs
  - NOVA-related, costs for Celtic (services DVA business)
  - MPI expects to reap the benefits of NOVA investment in later years

- *Lean Portfolio Management* costs have increased
  - MPI is improving its IT Governance Maturity, aligning with Agile
  - Result will be better cyber security, cloud solutions, data analytics and greater control over future spending and better processes throughout the Organization

6. Vehicle for Hire

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Vehicle for Hire (1/5)

Private Passenger VFH

Rates Moving in Right Direction, Additional Measures not Required

- SERIOUS LOSS LOADING
  - PP VFH not only use with no serious losses in 10-year history
  - Completely subjective exercise
    - PP VFH behave somewhere between Taxi VFH and Private Passenger
      - **$428** treats them like taxis
      - **$258** treats them like something less than taxi
      - **$157** treats them like public major class vehicles (some say they are)
      - **$62** treats PP VFH like any other vehicle in its major class
  - Fairness require serious losses to be loaded into every use without one?

Vehicle for Hire (2/5)

Private Passenger VFH

Rates Moving in Right Direction, Additional Measures not Required

- REMOVAL OF RATE CAP
  - PUB previously ordered consecutive increases capped at 20%
  - Arguments presented by TC are not new
  - MPI does not operate in a private, unregulated market
    - Adverse selection and market distortion concerns legitimate?
    - Mass exodus from taxis to PP VFH has not occurred in last 3 years
    - Taxi drivers without vehicle no incentive to switch
  - MPI sees no reason to depart from cap established in Order 148/04
    - Result would lead to inconsistent application of cap, a result that 148/04 sought to avoid

Vehicle for Hire (3/5)

Taxi VFH

Taking Rate Responsiveness over Rate Stability could be Problematic

- CREDIBILITY WEIGHTING ON RELATIVES
  - Slow to react to changes in experience can be good and bad
  - Maintaining 10% credibility to current relativity means rate stability
  - Maintaining K value at 60,000 means rate stability
  - Switching to Classical Credibility Approach, a big change that would decrease rate stability
  - Cannot pick and choose years to which to give more credibility
  - Will TC feel same way if their losses skyrocket this year?

Vehicle for Hire (4/5)

Taxi VFH/Ratemaking

MPI Acknowledges Concerns, Committed to Sensible Solutions

- TERRITORY DIFFERENTIALS
  - Is more complexity the solution to current cross-subsidization?
  - There may be simple solutions that MPI can explore

- MINIMUM BIAS PROCEDURE
  - MPI agrees that use of Generalized Linear Modelling appropriate
  - Free open-sourced software may not the best solution for MPI
  - MPI needs time to explore GLM and to select the best solution

Vehicle for Hire (5/5)

The MPI VFH Model

MPI Refining Model with Stakeholder Assistance

- Model is now 3-years old
- MPI engaged stakeholders, sought opinions from dispatchers and owners
- PUB VFH Technical Conference held in April 2021
- Issues identified include - time bands, blanket policies, fairness
- Next steps:
  - Continue stakeholder engagement
  - Revise model with input from stakeholders (including PUB in 2023 GRA)
  - Obtain required legislative changes
  - Implement new VFH model April 1, 2023

7. Driver Safety Rating System

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DSR (1/6)

The Driver Safety Rating system has been discussed for a number of years. The PUB's concerns are threefold:

a. That the current DSR scale does not accurately reflect risk

b. That the current driver premiums and vehicle premiums are not actuarial sound

c. Is it better to introduce changes when Project Nova goes live or at a later date?

DSR (2/6)

MPI's Position Going Forward

- No changes to the current Registered Owner model for at least 5 years
- Over 5 years gradually move to more actuarial sound driver and vehicle premiums
- Undertake a thorough review of its pricing and incentive models.
    - At this point in time what this will entail or how long it will take is unknown but for the next GRA MPI can submit a work plan setting out the scope and duration of the review

DSR (3/6)

No changes to the current Registered Owner model for at least 5 years

- We don’t know the size of the problem we are trying to solve
- We don’t know whether the Primary Driver model is the appropriate solution
- MPI is going through a major transformation with Project Nova and does not have the capacity to implement an additional major DSR model change at the same time

DSR (4/6)

Over 5 years gradually move to more actuarial sound driver and vehicle premiums the existing

- from the OliverWyman Report, DSR Conclusion (page 11):

"Given the stated goals of the program and fairness issues with the subsidization, we recommend that the Public Utilities Board adopt actuarially indicated DSR credits with due consideration to the acceptability of year-over-year rate changes and the use of capping to address acceptability."

- MR. STEVE SCARFONE: And so, I think you'd agree with me, sir, that that is, in fact, what MPI's proposal does. It -- it adopts the DSR actuarially indicated credits, but with due consideration to the year-over-year changes and the use of the capping that's in place. Do you have any reason to disagree with that?
- MR. RAJESH SAHASRABUDDHE (by Teams): No, I don't. I think that's MPI's view of acceptability as opposed to the PUB's view of acceptability. But I -- I don't disagree with that.

DSR (5/6)

Undertake a thorough review of its pricing and incentive models

- We have to analyze data to determine if there is a problem, and if so what is the nature of the problem before we can determine what is the best solution
- This requires MPI to do thorough review of its pricing and incentive models
- For the next GRA MPI should be able to submit a work plan setting out the scope and duration of the review
- This would require a comprehensive business case

DSR (6/6)

Can we wait 5 years before making a change?

- We don't know if there is a problem or the size of the problem that needs to be fixed
- The public is not demanding change
  - If there was something significantly wrong with the current approach, the public would be demanding changes
- The two jurisdictions in Canada with the lowest insurance rates and the greatest coverage (Manitoba and Saskatchewan) are the only ones using the registered owner model as the basis for establishing rates
- MPI is unaware of Government appetite for any change
- NOVA is not a barrier to implementing a new model at a later date

8. Risk Management Strategies

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Risk Management Strategies (1/6)

Catastrophe Reinsurance Program

Appropriate. Reasonable. Responsible.

- Updated to align with 1-in-100 adverse event
- Climate change increasing severity and unpredictability of weather
- Manitoba not immune, frequency of catastrophic losses increasing
  - “when” not “if”
- Now have:
  - $400m in protection ($100m increase)
  - $40m trigger -- single or accumulated losses – ($5m increase)

Risk Management Strategies (2/6)

Catastrophe Reinsurance Program

Appropriate. Reasonable. Responsible.

- Supports the Rate Stabilization Reserve (RSR)
- Single catastrophic event could:
  - Deplete the RSR, take years to rebuild to 100% MCT
  - Result in consecutive years of rate increases
  - Leave ratepayers defenseless against other catastrophic events
  - Increase rate instability, volatility
- Ratepayers expect MPI to reasonably avoid this risk

Risk Management Strategies (3/6)

Investments

- Asset Liability Matching (ALM) Study from 2017 now fully implemented
  - Full market cycle (3-5) years will be cut short
  - New ALM Study planned for completion in Q2/2022
    - will consider International Financial Reporting Standards 9 & 17
    - will consider the rising inflation trend over the past six months and its impact on MPI’s assets and liabilities
    - risk appetite for the corporation will be re-assessed
    - unlikely to move away from 100% fixed income for Basic
  - MPI will not consider material changes to existing strategy in the absence of new ALM Study

Risk Management Strategies (4/6)

Investments

- as at March 31, 2021
  - Basic Claims portfolio (3.9%) outperformed the benchmark
  - RSR and EFB portfolios underperformed their benchmarks by about 3% but returned 13.2% and 13.9% respectively
- equity portfolio up another 11.8% to the end of August 2021 (equity market fully recovered from early pandemic losses)
- bond yields, particularly corporate and provincial bonds, have declined since March 2020

Risk Management Strategies (5/6)

Investments

- Moment Matching strategy implemented in June 2021 (as part of the ALM strategy)
  - Expected to further reduce interest rate risk exposure by 40% without compromising portfolio yield
  - Complements duration matching (investments to liabilities) by also matching convexity (changes in bond prices due to changing interest rates) between the assets and liabilities of Basic
  - Extended the duration of the Basic Claims portfolio
    - MUSH bonds now included in the bond duration calculation having purchased $40M of new MUSH bonds for the new strategy
    - Forecasted average duration changed (duration of provincial bond portfolio was lengthened to offset low duration of MUSH bonds)

Risk Management Strategies (6/6)

Motorcycles

- MPI and CMMG have now agreed on the interpretation of Directive 6 from the 2021 GRA (Order No. 1/21), i.e. the use of interest rates at points on the yield curve for each Major Use Class
  - the alternative rate indication based on this agreed to interpretation will be filed in the 2023 GRA
- MPI maintains that a unique investment portfolio for the motorcycle class is inappropriate, particularly one that includes riskier growth assets
- MPI also maintains that including growth assets in the Basic Claims portfolio is inappropriate
  - contrary to the investment risk profile of Basic
  - would increase interest rate forecasting risk
  - would increase the minimum capital requirements of Basic

9. Benchmarking

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Benchmarking (1/4)

Information Technology Benchmark

MPI Comparable to Peers, No General Concerns

- Gartner’s Benchmarking finds that:
  - MPI’s investment in IT is at similar level relative to peers while its process maturity is at a significantly higher level
  - MPI demonstrated a stable trend of maintaining IT spending as a proportion of total expenses while maintaining IT maturity levels
- MPI committed to future internal and external IT benchmarking, will continue to explore all options to improve analysis and value
- Future IT benchmarking to be done in Q3 to ensure access to latest data

Benchmarking (2/4)

Crown (Operational Efficiency) Benchmark

Usefulness of Comparatives will Increase as Methodology Matures

- New benchmarking exercise this year, developed with SGI, ICBC and compares 60 different internal measures to establish best practices
- MPI filed comparative reports for 2017/18, 2018/19 and 2019/20
  - Results:
    - Though declining, MPI has highest FTE per $100m of GPW
    - MPI has lowest Staff to Management Ratios (increasing)
    - ! MPI has lower Total Net Expenses as a % of NPW than SGI !
- Methodology not fully mature, does not account for variations in products, business structure or scale between Crowns
- PUB can expect an improved iteration of benchmark in the next GRA

Benchmarking (3/4)

Vehicle Rates Comparison & Average Premium Growth Rate

MPI Consistently Offers Among the Lowest Rates in Canada

- Growth in average premiums just 1.56% per year in past 22 years
  - Lower growth than B.C., Alberta, Saskatchewan, Ontario and Canada

- Manitobans will pay less for their automobile insurance in 2021 than residents in most major Canadian Cities
  - Including Taxicab VHF and Motorcycles

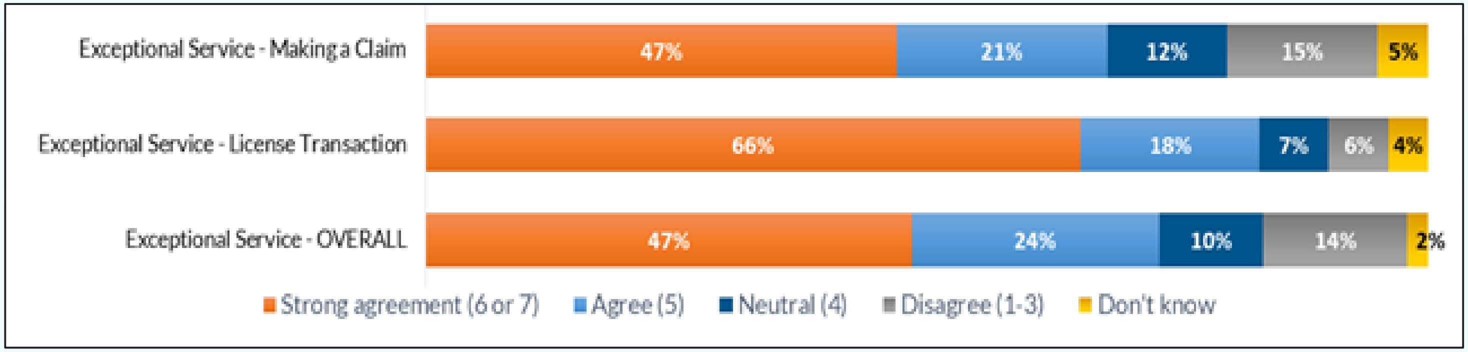
Benchmarking (4/4)

Serving Manitobans Benchmark

Manitobans Overwhelmingly Agree that MPI Meets their Needs

- Scored out of 100 by Forrester Research
  - Excellent overall satisfaction with physical damage claims (86%)
  - Good overall satisfaction with injury claims (71%)
- Survey results show Manitobans agree MPI provides exceptional service

Figure BMK- 9 Proportion who agree or disagree (2019/20: n = 802)



10. Conclusion

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Conclusion

Rates and Rebate Requested by MPI are Just and Reasonable

-1.2% overall AAP rate indication and a $335m capital rebate

- We must not lose sight of the years of hard work and effort that has brought us to this point
- Our regulatory process is vigorous and complex but also beneficial
- Although not always *ad item*, MPI aspires to strengthen it relationships with its stakeholders and maintain their trust, recall its 5-Year Ambition:

All of which is respectfully submitted.

Steve M. Scarfone/Anthony L. Guerra

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